Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/31/2002

GAIN Report #AS2036

Australia

Grain and Feed

Grain Voluntary Update - November Lockup

2002

Approved by:
Andrew C. Burst
U.S. Embassy
Prepared by:
Andrew C. Burst

Report Highlights:
A widespread and prolonged drought continues to severely impact Australia's 2002/03 winter crops. Wheat and barley production in 2002/03 is projected at 12.5 MMT and 3.75 MMT, respectively, both about one-half the level of last year's near-record harvests. ABARE released revised winter crop estimates on October 29, which show even greater declines in the 2002/03 wheat and barley crops. Reduced grain availabilities and strong demand for feed grains will sharply reduce the quantity of wheat and barley available for export.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1], AS

WINTER CROP PROSPECTS SUFFER FROM POOR WEATHER

A widespread and prolonged drought continues to severely impact Australia's 2002/03 winter crops. Projected output of wheat and barley is expected to be down significantly from last year's near-record levels. Below normal rainfall, warm temperatures and winds have combined to sharply reduce yield prospects. Poor finishing conditions and high fodder prices have led to the harvesting of some grain fields for hay or silage and, with diminishing pricing margins for milling-quality grain over feed grain, will see more grain diverted into feed channels. With some producing areas now being harvested, time has run out for a potential return to normal weather conditions as assumed in Post's previous reports. Precipitation now would likely have little positive impact on prospective yields, and would possibly lower overall grain quality.

Post has cut Australia's projected wheat production in 2002/03 to 12.5 million metric tons (MMT), 4 MMT lower than the previous figure and about 11.5 MMT, or 48 percent, below the year-earlier harvest. A 12.5 MMT wheat crop would represent the smallest harvest since the drought-reduced 1994/95 crop of 8.96 MMT. Rainfall thus far in October has been well short of normal levels. An indeterminate area devoted to winter crops will not be harvested for grain, e.g., used for hay or silage, grazed, or simply abandoned. The national average wheat yield for 2002/03 is now expected to be as low as 1994/95, with the 0.77 MT/ha recorded in 1982/83 still occupying the lowest yield level since at least 1960/61.

Post has also cut projected barley output in 2002/03 to 3.75 MMT, 1.15 MMT lower than the previous forecast and 3.7 MMT, or 50 percent, below the year-earlier harvest. Similar to wheat, poor weather conditions have sharply cut prospects for the barley crop.

The trend of significantly lower precipitation in major grain growing areas, which extends back to last year, has continued in the month of October. Precipitation this growing season has been the shortest in grain producing areas of New South Wales, southern Queensland and northern Victoria. The only near-normal rainfall pattern has occurred in some of the grain growing areas in southwestern Western Australia. Precipitation in October has continued at below normal levels across much of the winter grain area, which combined with warmer than normal temperatures and winds has stressed plants in the critical finishing stage. Given the stage of the winter crop, a return to more normal rainfall patterns would likely have no significant positive impact on yields.

Compared to 2001/02, the most significant percentage decline in wheat production by state is expected in NSW, followed by South Australia and Victoria. The wheat crop in NSW in 2002/03 is projected to be 2.25 MMT, around 30 percent of last year's production; in South Australia and Victoria the wheat crops are forecast at 2.95 MMT and 1.65 MMT, respectively, or only about 56-59 percent of the volume harvested last year.

OUTLOOK FOR SUMMER CROPS

The drought is also dimming prospects for the upcoming summer crop season. Farmers are expected to sharply reduce the area planted to summer crops due to depleted soil moisture. Furthermore, drought conditions are also being experienced in catchment areas, which has significantly reduced supplies of irrigation water. Plantings of rice and cotton will likely be significantly reduced because of shortages of irrigation water. Increased demand and higher prices for feed grains will likely cause some farmers to shift to sorghum.

ABARE'S SPECIAL CROP REPORT

The Australian Bureau of Agricultural Research and Economics (ABARE) sharply reduced their forecasted production of major winter crops in a Special Drought Issue of the Australian Crop Report released on October 29, 2002. The Report included updates for the major winter crops -- wheat, barley, canola and lupins. Traditionally, ABARE issues a crop report in early September and again in early December. ABARE's next crop report is scheduled for release on December 3, 2002.

ABARE now projects the 2002/03 wheat crop at 10.13 MMT, 3.32 MMT below their previous forecast issued on September 10, 2002, and 13.83 MMT lower than the near-record 2001/02 crop. The sharp drop in wheat production is mostly attributed to a continuation of poor weather in major producing areas, particularly NSW, Victoria and South Australia. Compared to 2001/02, ABARE expects wheat output in 2002/03 to be down 76 percent in NSW, 64 percent in Victoria, 54 percent in South Australia, 41 percent in Western Australia and 27 percent in Queensland. Compared to the previous (September) estimate for the 2002/03 wheat crop, ABARE shows the largest downward revisions in wheat production for Victoria (-44 percent) and NSW (-43 percent).

ABARE expects barley production in 2002/03 to total 3.36 MMT, 1.22 MMT below their previous (September) projection, and 4.1 MMT below the near-record 2001/02 crop. The poor weather which has negatively impacted wheat, also impacted barley.

ABARE's Special Drought Issue of the Crop Report does not provide revisions in area. The Report does note, however, that the potential area harvestable for grain in NSW continues to decline as growers cut crops for hay or silage. ABARE's December 3 Crop Report may contain further revisions in crop area.

ABARE also provided revised projections for 2002/03 for canola and lupins. Canola production in 2002/03 is now forecast at 720 thousand metric tons, down from 990 TMT in September and 1,605 TMT harvested in 2001/02. The lupin crop in 2002/03 is forecast at 560 TMT, down from 710 TMT in September and 1,104 TMT last year.

Post has analyzed ABARE's record of pre-harvest projections for the wheat crops from 1997/98 to 2001/02. For each of these crops, all of ABARE's "pre-harvest" projections issued in September through December have been below the final estimates. On average during this period, ABARE has underestimated the final wheat crop by over 2 MMT, albeit on relatively large harvests that characterized this time period.

DROUGHT AND FEED DEMAND WILL TRIM EXPORTS

The ongoing drought, which has sliced crop prospects for 2002/03, has also severely diminished the carrying-capacity for the large animal populations in Australia. Currently, domestic feed grain prices are high and there is concern being expressed about domestic availabilities of grain for feed. Pressure to import feed grains will in part be offset by stringent quarantine measures that largely preclude grain from being imported. Feed grains were last imported in significant quantities during the drought of 1994/95. The importation in 1994/95 was problematic, as the measures needed to meet the quarantine requirements raised costs considerably. In addition, the infrastructure to import and treat imported feed grain was (is) lacking. Reportedly, the Australian Wheat Board Ltd. is holding significant quantities of feed wheat from last season's crop.

The short grain crop and some diversion of grain for domestic animal feeding will sharply reduce the availability of grain for export. A higher percentage of any surplus grain in Western Australia, traditionally a major exporter, will likely find its way to domestic markets, particularly in grain short eastern Australia. Reportedly, Australian Wheat Board Ltd. is adjusting its current wheat export program to maintain grain for domestic use, while still trying to take advantage of the export market and relatively high international wheat prices. AWB Ltd. reports that prior to the upcoming harvest, there will be a wheat carry-over of about 4 MMT. With a 2002/03 wheat crop of 12.5 MMT, Australian exports in 2002/03 could still total around 8 MMT. A wheat crop of around 10 MMT, could result in exports as low as 6 MMT, or conceivably less. Similarly, the much smaller barley crop will severely restrict the amount of barley available for export. In 2001/02, Australia exported slightly less than 4 MMT of barley. In 2002/03, barley exports could be as low as 1 MMT.

AUSTRALIA WHEAT: State-Level Statistics						
(Million Hectares; Tons Per Hectare; Million Tons)						
			ABARE	ABARE	POST	POST
			EST.	EST.	EST.	EST.
	2000/2001*	2001/2002	2002/2003	2002/2003	2002/2003	2002/2003
Queensland			Sept	Oct	Oct	Nov
Area	0.987	0.730	0.465	0.465	0.465	0.465
Yield	1.306	1.027	1.398	1.183	1.613	1.402
Prod	1.289	0.750	0.650	0.550	0.750	0.652
New South Wales						
Area	3.645	3.720	2.500	2.500	2.500	2.500
Yield	2.299	1.935	1.200	0.680	1.720	0.900
Prod	8.380	7.200	3.000	1.700	4.300	2.250
Victoria						
Area	1.259	1.360	1.300	1.300	1.300	1.300
Yield	2.683	2.059	1.385	0.769	1.962	1.269
Prod	3.378	2.800	1.800	1.000	2.550	1.650
South Australia						
Area	2.119	2.120	2.100	2.100	2.100	2.100
Yield	2.116	2.476	1.571	1.143	1.748	1.405
Prod	4.484	5.250	3.300	2.400	3.670	2.950
Western Australia						
Area	4.753	4.590	4.000	4.000	4.000	4.000
Yield	1.306	1.656	1.170	1.112	1.314	1.238
Prod	6.209	7.600	4.680	4.450	5.256	4.950
Total						
Area	13.002	12.526	10.821	10.821	10.821	10.821
Yield	1.827	1.913	1.243	0.933	1.527	1.155
Prod	23.756	23.960	13.450	10.100	16.526	12.500
Estimates based on historical Australian Bureau of Agricultural and Resource Economics reports.						
* Source: Australian Bureau of Statistics						

AUSTRALIA BARLEY: State-level Statistics						
(Million Hectares; Tons Per Hectare; Million Tons)						
			ABARE	ABARE	POST	POST
			EST.	EST.	EST.	EST.
	2000/2001*	2001/2002	2002/2003	2002/2003	2002/2003	2002/2003
Queensland			Sep	Oct	Oct	Nov
Area	0.123	0.090	0.080	0.080	0.080	0.080
Yield	1.008	1.144	1.125	1.000	1.250	1.125
Prod	0.124	0.103	0.090	0.080	0.100	0.090
New South Wales						
Area	0.643	0.535	0.400	0.400	0.400	0.400
Yield	1.997	2.121	1.625	0.750	1.875	1.125
Prod	1.284	1.135	0.650	0.300	0.750	0.450
Victoria						
Area	0.735	0.732	0.730	0.730	0.730	0.730
Yield	2.450	2.049	1.221	0.479	1.425	0.616
Prod	1.801	1.500	0.891	0.350	1.040	0.450
South Australia						
Area	1.114	1.020	1.030	1.030	1.030	1.030
Yield	2.241	2.598	1.750	1.456	1.750	1.456
Prod	2.496	2.650	1.803	1.500	1.803	1.500
Western Australia						
Area	1.050	1.000	1.000	0.950	0.950	0.950
Yield	1.394	2.000	1.121	1.158	1.263	1.263
Prod	1.464	2.000	1.121	1.100	1.200	1.200
Total						
Area	3.675	3.389	3.202	3.202	3.202	3.202
Yield	1.958	2.201	1.431	1.049	1.530	1.171
Prod	7.196	7.459	4.581	3.360	4.900	3.750
Estimates based on historical Australian Bureau of Agricultural and Resource Economics reports.						
* - Source: Australian Bureau of Statistics						